

Message Text

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ACTION ARA-10

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CIAE-00 DODE-00 PM-04 H-02 INR-07 L-03 NSAE-00 NSC-05

PA-01 PRS-01 SP-02 SS-15 AID-05 COME-00 EB-07 FRB-03

TRSE-00 XMB-02 OPIC-03 CIEP-01 LAB-04 SIL-01 OMB-01

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FM AMEMBASSY NASSAU

TO SECSTATE WASHDC IMMEDIATE 7657

INFO AMEMBASSY LONDON

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E.O. 11652: GDS

TAGS: MARR BF US

SUBJ: FACILITIES AGREEMENT: DISCUSSION WITH PRIME MINISTER

PINDLING

REF: NASSAU 2141

1. A SUBSTANTIAL PORTION OF MY 90 MINUTE TOUR D'HORIZON
WITH PM PINDLING (SEE REFTEL) WAS DEVOTED TO THE
FACILITIES NEGOTIATION.

2. I EXPLAINED TO PM THAT UNFORTUNATELY I DID NOT HAVE
A DEFINITIVE RESPONSE TO PROVIDE TO MINEXTAFF ADDERLEY'S
LETTERS TO ME. I HOPED TO HAVE SUCH A RESPONSE IN THE
VERY NEAR FUTURE. (PM INJECTED TO SAY THAT THE RESPONSE
WAS TAKING SOMETIME. TO WHICH I REPLIED THAT THIS WAS
BECAUSE WE WERE GIVING THE MATTER VERY CAREFUL STUDY AND,
IN ANY EVENT, I COULD ASSURE HIM IT WOULD TAKE LESS TIME
THAN MORE THAN YEAR WHICH HAD ELAPSED BETWEEN OUR COM-
MUNICATION TO THEM AND THEIR RESPONSE TO US. HE LAUGHED
AND SAID HE SURE HOPED SO.) I SAID, HOWEVER, THAT BASED
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ON NUMEROUS DISCUSSION IN WASHINGTON, AS WELL AS CCOM-

MUNICATIONS BETWEEN EMBASSY AND WASHINGTON, I FELT THAT THE OUTLINES OF OUR PROPOSAL WERE BEGINNING TO SHAPE UP. WITHOUT BEING SPECIFIC ON NUMBERS AND ON THE CONDITION THAT HE WOULD NOT HOLD ME TO DETAILS, I COULD DESCRIBE THE APPROACH WHICH IT APPEARED TO ME WE WERE LIKELY TO BE PRESENTING.

3. I THEN BRIEFLY ARTICULATED THAT APPROACH, EMPHASIZING THAT IT WOULD CENTER ON BASE RENTAL, WHICH IN TURN WOULD BE CALCULATED ON THE VALUE OF THE BASES TO US, AS WELL AS THE COSTS INVOLVED IF WE WERE FORCED TO RELOCATE. I POINTED OUT THAT WHILE WE HOPED FOR A SUCCESSFUL NEGOTIATION, SINCE THE BULK OF RENTAL WAS TO BE FINANCED ENTIRELY OUT OF THE NAVY'S BUDGET, THE NAVY HAD TO MAKE A CALCULATION OF WHAT THEY COULD JUSTIFY PAYING FOR REMAINING HERE AS CONTRASTED TO MOVING ELSEWHERE. I SAID THAT OUR PROJECTION WOULD BE FOR A 15 YEAR AGREEMENT, EXPLAINING THE NECESSITY IN RELATION TO REQUIRED CAPITAL IMPROVEMENTS IN THE BASES WHICH COULD NOT BE JUSTIFIED IN A SHORTER PERIOD OF AMORTIZATION. I INDICATED THAT OUR PROPOSAL WOULD ALSO IDENTIFY THE BENEFITS WHICH WOULD BE GOING DIRECTLY INTO THE BAHAMIAN ECONOMY RATHER THAN DIRECT GOVERNMENT-TO-GOVERNMENT EXCHANGE. I MENTIONED SUCH THINGS AS SALARIES, PURCHASES AND THE BASE IMPROVEMENT EFFORT WHICH WOULD INCLUDE SUCH ITEMS AS HARBOR IMPROVEMENTS. I SAID I HOPED WE WOULD ALSO BE ABLE TO OFFER A FOREIGN MILITARY SALES COMPONENT WHICH WOULD BE AVAILABLE FOR FINANCING MILITARY EQUIPMENT FROM THE U.S. I SAID THAT THESE VARIOUS FACTORS WHEN PROJECTED OVER A 15 YEAR PERIOD ADDED UP TO A SUBSTANTIAL FINANCIAL CONTRIBUTION TO THE BAHAMAS, BUT THAT IN ALL HONESTY IT WOULD REPRESENT ONLY A FRACTION OF WHAT WAS REQUESTED IN MINEXTAFF ADDERLEY'S LETTERS. I DID NOT BELIEVE THAT IT WOULD CONTAIN AN AID PROGRAM AS SUCH SINCE THE POLITICAL REALITIES IN WASHINGTON WOULD SIMPLY NOT PERMIT THIS. I INDICATED TO THE PM THAT I WOULD APPRECIATE THAT HE MIGHT FIRST WISH TO SEE THE SPECIFIC PROGRAM. HOWEVER, ONE POINT WHICH I DID WISH TO EMPHASIZE WAS THAT THIS NEGOTIATION WOULD BE THE MATTER OF PRIME INTEREST BETWEEN THE TWO GOVERNMENTS IN THE COMING MONTHS. I WAS CONFIDENTIAL

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HOPEFUL THAT WE WOULD HAVE A SUCCESSFUL NEGOTIATION. BUT IF FOR SOME REASON THAT WAS NOT TO BE, I DID NOT WANT THE FAILURE TO RESULT FROM MISUNDERSTANDING OF EITHER PARTIES' PURPOSES AND INTENTIONS. I HOPED IN THIS CONNECTION IF HE HAD ANY QUESTIONS ONCE HE SAW OUR PRESENTATION OR INDEED AT ANY OTHER TIME, HE WOULD NOT HESITATE TO CALL ME DIRECTLY. SIMILARLY, I WOULD HOPE THAT I COULD FEEL FREE TO CALL UPON HIM EVEN THOUGH, OF COURSE, I ANTICIPATED

THAT MINEXTAFF ADDERLEY AND I WOULD BE CARRYING ON A CONTINUING DIALOG ONCE OUR RESPONSE WAS IN BAHAMIAN HANDS.

4. THE PM RESPONDED BY STATING THAT WHAT I HAD TO SAY WAS OF CONSIDERABLE INTEREST, BUT HE THOUGHT IT WAS ADVISABLE FOR THE MOST PART THAT HE NOT ATTEMPT TO COMMENT UNTIL HE HAD SEEN OUR DETAILED PROPOSAL. HE ASKED FOR CLARIFICATION OF WHAT I MEANT BY SAYING THAT THERE WOULD NOT BE AN AID COMPONENT IN OUR PACKAGE. I REFERRED TO THE LANGUAGE IN MR. ADDERLEY'S LETTER WHICH IMPLIED THAT EITHER GRANT AID OR LOANS IN THE AMOUNT OF \$50 MILLION A YEAR FOR 10 YEARS WAS DESIRED FOR ECONOMIC DEVELOPMENT PURPOSES. PM ACKNOWLEDGED THE POINT, BUT MADE NO FURTHER COMMENT ON IT. HE DID SAY, HOWEVER, THAT BY ALL MEANS WE SHOULD KEEP IN TOUCH AND HE QUITE SHARED THE SENTIMENTS THAT THIS WAS AN IMPORTANT SUBJECT FOR BOTH COUNTRIES AND ONE ON WHICH WE SHOULD AVOID MISUNDERSTANDINGS.

5. IN THE FOLLOW-UP DISCUSSION WITH RODNEY BAIN, HE SAID THAT HE THOUGHT THAT HE COULD ADD SOME INSIGHT AS TO WHAT THE GOVERNMENT AND THE PM HAD IN MIND IN REFERRING IN MR. ADDERLEY'S COMMUNICATION TO DEVELOPMENT ASSISTANCE. HE THEN WENT INTO A LENGTHY DESCRIPTION OF THE COUNTRY'S ASPIRATION FOR "MOVING TOWARD GREATER SELF-SUFFICIENCY." HE ALLUDED TO THE FIELDS OF AGRICULTURE, FISHING, EDUCATION, HOTELS, CONSTRUCTION, ETC. HE SAID THAT THEY BELIEVE THAT THEIR ASPIRATION WERE ONES WHICH DESERVED SUPPORT SINCE WHAT THEY WERE TRYING TO DO WAS TO STAND ON THEIR OWN TWO FEET. MOREOVER, SO FAR AS THE U.S. IS CONCERNED, A FAILURE ON THEIR PART TO SUCCEED COULD MEAN A HIGHLY UNSTABLE POLITICAL ENVIRONMENT WITHIN WHICH U.S. BASES

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COULD NOT OPERATE. AS A RESULT, IT WAS THE GOVERNMENT'S HOPE THAT THE USG WOULD BE ABLE TO FACILITATE THESE PROGRAMS OF ECONOMIC DEVELOPMENT.

6. I ASKED MR. BAIN WHAT HE MEANT BY FACILITATE. HE RESPONDED "USE YOUR GOOD OFFICES" TO SEE THAT WE GET THE NECESSARY FINANCING. I SAID THAT I COULD EASILY IMAGINE OUR BEING WILLING TO USE OUR GOOD OFFICES BUT THE QUESTION WAS PRECISELY TOWARD WHAT END AND WITH WHICH FINANCIAL INSTITUTIONS. SO FAR AS THE USG WAS CONCERNED IT DID NOT HAVE AN UNLIMITED RANGE OF INTERNATIONAL LENDING INSTITUTIONS. I MENTIONED THAT THE EXIM BANK WAS AN EXAMPLE OF ONE INSTITUTION WHICH DID EXIST AND THAT I COULD CERTAINLY IMAGINE THE BAHAMAS APPLYING FOR LOANS TO EXIM. I WAS SURE THAT AS A GOVERNMENT WE COULD

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OFFER OUR GOOD OFFICES IN THAT REGARD. HOWEVER, THE EXIM OPERATED UNDER A CONGRESSIONAL MANDATE TO FACILITATE EXPORTS, THUS ITS NAME. INSOFAR AS THE SORTS OF PROJECTS THE GOVERNMENT HAD IN MIND WERE HARD BANKABLE UNDERTAKINGS WHICH FELL WITHIN THE EXIM MANDATE, I WAS SURE THAT HE COULD BE ASSURED THAT THEY WOULD RECEIVE EVERY CONSIDERATION. BEYOND THE EXIM BANK THERE WAS OF COURSE THE DEVELOPMENT LOAN FUND BUT MY UNDERSTANDING WAS THAT THIS FUND WAS LIMITED TO MUCH SOFTER LOANS TO COUNTRIES HAVING AN ECONOMIC CONDITION SUBSTANTIALLY WORSE THAN THAT ENJOYED BY THE BAHAMAS. I DID NOT BELIEVE THAT THERE WAS ANY CHANGE THAT THE BAHAMAS COULD QUALIFY UNDER DEVELOPMENT LOAN FUND CRITERIA. I SAID THAT THERE MIGHT BE OTHER GOVERNMENTAL LOAN AGENCIES WHICH MIGHT BE ABLE TO ASSIST THE BAHAMAS IN THIS PROGRAM, BUT I COULD NOT AT THE MOMENT CITE ANY. IT WAS SOMETHING WHICH I WOULD LOOK INTO FURTHER. FINALLY, INSOFAR AS HE HAD IN MIND USING OUR GOOD OFFICES TO PUT THE GOVERNMENT IN TOUCH WITH INDIVIDUAL PRIVATE LENDING INSTITUTIONS, I IMAGINED THAT WE COULD BE HELPFUL AND IF WE COULD I WOULD OF COURSE RECOMMEND THAT WE DO SO.

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7. TO SUM UP, I SAID THAT WHAT TROUBLED ME WAS NOT THE BAHAMIAN DESIRE TO DEVELOP THEIR ECONOMIC CAPABILITY. I WAS CONFIDENT THAT THE USG WAS MOST SYMPATHETIC TO THOSE EFFORTS. WHAT I WAS TROUBLED BY WAS THE MEANS WHICH THE GCOB BELIEVED WE COULD BRING TO BEAR TO ASSIST IN THIS EFFORT.

8. BAIN SAID THAT, OF COURSE, HE WAS NOT FAMILIAR WITH WHAT CAPABILITIES OR MECHANISMS THE USG HAD BUT THAT IT WAS A CENTRAL CONSIDERATION IN THEIR THINKING ABOUT THE FACILITIES NEGOTIATION THAT THEY RECEIVE SUCH HELP.

9. I URGED THAT THE GOVERNMENT NOT TIE ITSELF DOWN TOO RIGIDLY TO A FORMULA IN CONNECTION WITH THE FACILITIES WHICH REQUIRED DEVELOPMENTAL ASSISTANCE SINCE, AS I HAD INDICATED, THERE MIGHT SIMPLY BE NO WAY FOR US TO MEET THE NEED. I SAID THAT WE WOULD, WHETHER OR NOT THERE WAS A FACILITIES NEGOTIATION, ALWAYS BE PREPARED TO WORK WITH THEM AS FAR AS OUR CAPABILITIES PERMITTED TO HELP SOLVE LEGITIMATE ECONOMIC PROBLEMS. THE FACILITIES, HOWEVER, WOULD HAVE TO STAND ON THE MERITS OF THE BASE RENTAL WE WERE OFFERING PLUS, OF COURSE, THE OTHER BENEFITS TO THE ECONOMY WHICH WERE DERIVED FROM OUR PRESENCE HERE. IF WE WERE PRESSED FOR FINANCIAL ASSISTANCE WHICH WENT BEYOND, WE WOULD FIND OURSELVES IN THE AWKWARD AND UNJUSTIFIABLE POSITION OF ATTEMPTING TO PAY MORE FOR BASES HERE THAN THEY WOULD COST IF MOVED ELSEWHERE. I SUGGESTED THAT WE GET TOGETHER FOR LUNCH AFTER THE FIRST OF THE YEAR TO DISCUSS THIS MATTER FURTHER AND LEFT ON THE NOTE THAT I HOPED THEY WOULD RETAIN A CERTAIN DEGREE OF FLEXIBILITY IN THEIR THINKING INsofar AS TYING FUTURE BAHAMIAN ECONOMIC DEVELOPMENT TO THE FACILITIES NEGOTIATION.

10. COMMENT: THE DISCUSSION WITH RODNEY BAIN IN PART RECONFIRMED WHAT WE ALREADY KNEW, NAMELY, THAT THE GCOB WAS EXPECTING SOME SORT OF ASSISTANCE FROM US IN THEIR ECONOMIC DEVELOPMENT PROGRAMS. IN PART, HOWEVER, THE CONVERSATION REVEALED AN INCREDIBLE DEGREE OF FUZZINESS IN BAHAMIAN THINKING. IT REMINDED ME VERY MUCH OF

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CONVERSATIONS I HAD HAD MONTHS AGO ON THE LOBSTER

PROBLEM. THEN, AS NOW, THE BAHAMIANS SEEMED TO FEEL THAT THEY COULD PRESENT THEIR IMPRECISELY DEFINED PROBLEMS TO US AND HOW WE WENT ABOUT SOLVING THEM WAS NOT FOR THEM TO SAY. IN THIS PARTICULAR CASE, BAIN SEEMED GENUINELY SURPRISED WHEN I DESCRIBED THE LIMITED NUMBER OF FACILITIES AVAILABLE FOR GOVERNMENT-TO-GOVERNMENT LOANS FOR DEVELOPMENT. INTERESTINGLY, HE DID NOT CHALLENGE MY ASSERTION THAT WE COULD NOT JUSTIFY AN AID PROGRAM AS SUCH (I.E. GRANT OR SOFT LOANS) TO THE BAHAMAS. THIS, OF COURSE, DOES NOT NECESSARILY MEAN THAT HE OR THE GOVERNMENT WILL ACCEPT THAT CONCLUSION. RATHER, WHAT I READ INTO HIS REACTION ON THIS POINT, AS WELL AS TO THE OTHERS THAT I MADE, WAS THAT THE GOVERNMENT WAS NOT AT ALL UNRECEPTIVE TO THE NOTION OF LOANS FOR ECONOMIC DEVELOPMENT NO MATTER WHAT THEIR SOURCE, THAT IS, GOVERNMENT OR PRIVATE, SO LONG AS THE FUNDING WAS AVAILABLE AND, IMPLICITLY ON TERMS WHICH THEY COULD MANAGE. THIS LATTER IS A MAJOR CAVEAT OF COURSE SINCE THEY MAY NOT HAVE MANY HARD LOAN CANDIDATES AND THEIR ABILITY TO SERVICE EVEN HARD LOANS IS CERTAINLY LIMITED. THE OVERWHELMING IMPRESSION THAT I GOT FROM BAIN, HOWEVER, WAS THAT HE WAS MASSIVELY UNIFORMED ON THE SUBJECT AND TOOD THE POSITION THAT IT IS REALLY UP TO THE USG TO EXPLAIN TO THE GCOB HOW "ITS GOOD OFFICES" COULD BE USED TO MEET GCOB DEVELOPMENT REQUIREMENTS.

11. ON THE BASIS OF DISCUSSION WITH ALL RELEVANT EMBASSY STAFF, WE ARE AGREED THAT IT WOULD BE A MISTAKE TO TRY TO INCLUDE IN OUR INITIAL PROPOSED RESPONSE ANY REFERENCE TO ASSISTING, PROVIDING "GOOD OFFICES" OR OTHERWISE IMPLYING THAT GCOB CAN DEPEND ON US TO HELP THEM FIND A WAY TO FINANCE THEIR DEVELOPMENT ASSISTANCE PLANS. IN FIRST PLACE IT IS BARELY CONVEIVABLE THAT OUR RENTAL ET AL OFFER WILL SECURE AGREEMENT ON THE FACILITIES. EVEN IF IT DOES NOT, HOWEVER, IT WOULD BE DANGEROUS FOR US TO HOLD OUT HOPE FOR ASSISTANCE WHEN GCOB CAN'T REALLY DEFINE WHAT IT WANTS. I FRANKLY DO NOT KNOW WHETHER BEYOND DLF AND EXIM THERE ARE ANY OTHER USG LOAN SOURCES AVAILABLE. AND WHILE WE WOULD OF COURSE SUPPORT THEIR EFFORTS TO SECURE LOANS FROM INTERNATIONAL ORGANIZATIONS,

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SEVERAL OF WHICH ARE AVAILABLE TO GCOB, NONE ARE LIKELY TO GIVE ANY CONSIDERATION TO PROVIDING SOFT LOANS WHICH IN LAST ANALYSIS GCOB MAY BE SEEKING. IN THE FIRST INSTANCE, HOWEVER, WE HAVE TO FORCE GCOB TO BE CLEARER AS TO WHAT IT REALLY IS SEEKING. MOREOVER, INSOFAR AS IT IS POSSIBLE TO DO SO, WE SHOULD TRY TO KEEP THIS ASPECT SEPARATE FROM THE FACILITIES FOR RENTAL EQUATION.

12. IN THE MEANTIME HOWEVER IF WASHINGTON HAS ANY IDEAS ON HOW WE MIGHT IN DUE COURSE APPEAR RESPONSIVE TO THIS VAGUELY DEFINED NEED WE WOULD BE GRATEFUL FOR YOUR THOUGHTS.

13. AS AN INTERESTING POSTSCRIPT, BAIN'S ENTIRE EMPHASIS WAS ON ECONOMIC DEVELOPMENT. HE NEVER ONCE MENTIONED NEED FOR SUPPORT OF BAHAMIAN DEFENSE FORCE. THIS BY NO MEANS EXCLUDES THIS AS A CONSIDERATION IN THEIR MINDS BUT SUGGESTS IT IS NOT UPPERMOST, CONTRARY TO IMPRESSION LEFT BY BRITISH IN WASHINGTON.

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